

Service Date: December 9, 1991

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

IN THE MATTER OF the Complaint of F.)	UTILITY DIVISION
Lee Tavenner.)	DOCKET NO. 90.8.51
)	ORDER NO. 5506c
_____)	

ORDER ON MOTION FOR RECONSIDERATION

Background and Purpose

1. On January 9, 1991, the Commission issued Order No. 5506a, Docket No. 90.8.51. Order No. 5506a addressed three matters: 1) the petition of Montana Power Company (MPC) and Billings Generation, Inc. (BGI) to determine the rates and conditions of a power purchase agreement; 2) the complaint of F. Lee Tavenner (Tavenner); and, 3) MPC's 1990/91 avoided cost compliance filing. No party asked for reconsideration of the MPC/BGI petition or the 1990/91 avoided cost compliance filing and Order No. 5506a disposed of those matters. Tavenner, however, asked the Commission to reconsider its decision on his complaint.

2. On June 28, 1991, the Commission issued Order No. 5506b on reconsideration of Tavenner's complaint. In response to Order No. 5506b Tavenner filed yet another motion for reconsideration which was granted by the Commission. See Notice of Commission

Action, Docket No. 90.8.51, August 6, 1991. By this Order the Commission reconsiders Order Nos. 5506a and. 5506b.

3. The issues raised in Tavenner's motion, while narrowed from his previous motion, are complex. Again they involve orders from a past avoided cost docket, orders issued in Docket No. 88.6.15 (Colstrip 4), as well as Order Nos. 5506a and 5506b.

4. Tavenner's motion only concerns MPC's 1989/1990 contract year avoided cost rates. For the reasons discussed below the Commission rejects Tavenner's motion and largely reaffirms its Order No. 5506b decisions. Decisions in this Order address Tavenner's motion and the Commission's policies on future avoided cost filings.

Substance of Tavenner's Order No. 5506a Motion

5. Tavenner's arguments, in part, turn on the purpose served by MPC's June 1989 Projection of Electric Loads and Resources (PELR) relative to MPC's September 1989 avoided cost compliance filing. The latter filing is in response to the Commission's Final Order No. 5360d in Docket No. 88.6.15. See Order No. 5360d, Finding of Fact No. 364 et seq. and "Order" pages 243-44. Tavenner's arguments and conclusions follow.

6. As Tavenner's arguments for basing the 1989/1990 Energy Option B (EOB) avoided cost have been stated and restated in prior orders, the following will only summarize his arguments.

First, MPC's June 1989 PELR includes a long-term purchase of Colstrip 4 capacity and energy for year 1989. Second, Energy

Option B (EOB) is an annual forecast rate for contract year July 1 to June 30. Third, Order No. 5506a states MPC must pay QFs the highest of system lambda, purchases and off-system sales. Fourth, in MPC's June 1989 PELR, the highest value is a BPA-priced Colstrip 4 purchase. Therefore, Tavenner concludes, because the 1989 EOB rate should be based on the June 1989 resource plan, and because that plan included the BPA-priced Colstrip 4 purchase, the Commission should approve the BPA NR energy rates (LTQF-1a) as the 1989 EOB rate. A corollary is that MPC's calculation of the 1989 EOB is improperly based on a September 1989 resource plan.

Commission's Decision

7. The findings below are organized as follows: First, the Commission will address Tavenner's motion. Second, because of the prospect of revisiting annual avoided cost compliance filings in the future the Commission will set forth its findings on how and when MPC will make such filings in conjunction with the Company's least cost plan filings. The Commission also will discuss planned changes to align loads and resource assumptions in future avoided cost and least cost plan filings.

8. MPC filed its initial 1989 avoided cost compliance tariff in September of that year. This filing was later revised to reflect Order Nos. 5360d, 5360e and Commission directed staff correspondence reflecting a decision on seasonal cost allocations. The various EOB avoided cost rates follow:

1989/1990

	Winter	Summer
1. July 1988 filing	2.7617c/kwh	2.666c/kwh
2. September 1989 filing	1.8759c/kwh	1.651c/kwh
3. October 1989 revised	1.8754c/kwh	1.6505c/kwh
4. January 1990 revision	2.0294914c/kwh	1.5381c/kwh
5. Rates actually paid		
Tavenner (estimated	2.08c/kwh	1.58c/kwh
assuming 4% inflation)		

9. With one exception, noted below, the Commission reaffirms its Order No. 5506b decision denying Tavenner's motion to base the 1989/1990 EOB solely on BPA's NR rates. To buttress its prior decision, the Commission emphasizes that, although MPC filed a June 1989 PELR that included the Colstrip 4 resource, the June 1989 PELR is not an avoided cost filing. MPC's first Commission-ordered avoided cost compliance filing in 1989 was submitted in September 1989. It is this September filing, as finally revised in January 1990, that is the basis, in large part, of the 1989/1990 EOB rates.

10. Although the Commission denies Tavenner's motion, the Commission modifies its Order No. 5506b decision. The 1989/1990 contract year must be divided into two parts. The first part runs from July 1, 1989, through the date on which MPC filed its September 1989 avoided cost compliance filing. The second part runs from that date through June 30, 1990. During the first part of the contract year, the Commission finds merit in basing EOB on

BPA's NR rates. The reason is based on the Commission's Order No. 5506b decision to require MPC to revise the 1988/1989 EOB rates to reflect BPA's NR rates. Thus, due to MPC's late avoided cost compliance filing in 1989, the only valid rates are those BPA NR rates which the Commission found valid for 1988/1989. During the second part of the 1989/1990 contract year, the Commission finds merit in EOB rates that reflect MPC's January 1990 revised compliance filing. The Commission-determined rates for both parts of 1989/1990 are contained in Finding of Fact No. 8 above. MPC is ordered to recompute the rates that should have been paid for EOB contracts. Any net difference must be reconciled with either a debit or credit to future payments until the difference is extinguished.

Future Avoided Cost and Least Cost Plan Compliance Filings

11. The Commission will now set forth its policy decisions on how MPC must coordinate the filing of future avoided- and least-cost plans. First, the Commission recently issued proposed least cost planning rules which include a March 15 filing date. At present, the PSC's avoided cost rules require a June 1 filing date. See ARM 38.5.1905(1). The Commission finds that MPC must coordinate the two filings so that the loads and resources underlying the avoided cost filing reflect MPC's least cost plan filings; i.e., there must be consistent load and resource assumptions in these two filings.

12. Second, in Order No. 5360d the Commission first applied the "unspecified acquired resource" (UAR) criteria to avoided cost ratemaking. See Order No. 5360d, Finding of Fact No. 353 et seq. In that Order the Commission applied the UAR term to change how avoided costs must be computed if certain load/resource balance conditions exist. The Commission will take this opportunity to clarify how the UAR concept must be coordinated with Order No. 5091c avoided cost filings.

13. As background, MPC raised the UAR criteria through Mr. Mark Stauffer's prefiled rebuttal testimony in Colstrip 4 Docket No. 88.6.15. In Order No. 5360d, Findings of Fact Nos. 353-360, the Commission used the UAR term to modify avoided costs that would otherwise be computed using the Order No. 5091c methodology.

14. The Commission's policy clarification is simply that if the load and resource plans underlying an avoided cost filing demonstrate a resource deficiency in the "acquired" resource (energy or capacity) in the tentative resource section of the base case forecasts, then MPC must proxy the Order No. 5091c avoided costs with BPA's NR rates, whether they be current actuals or forecast. Logically, of course, if the BPA energy rate is lower than the otherwise computed Order No. 5091c energy costs, the Order No. 5091c energy costs must be used. One reason for this clarification is that MPC's PELR and avoided cost compliance filings have not listed resources consistently. For

example, where PELRs have included "acquired" resource categories, MPC's loads and resources tables in avoided cost filings have not included such resource categories.

15. This clarification corrects an inconsistency between the origin of the UAR term, noted above, and its application. MPC, in originating the UAR term, held it derived from Order No. 5091c. However, Order No. 5091c avoided cost compliance filings have not contained load and resource tabulations that list UARs. Thus, one was forced to refer to PELRs to implement the Order No. 5360d UAR criteria. The coordination of future avoided- and least-cost plan filings should eliminate the confusion between the PELRs and avoided-cost filings.

16. Finally, the Commission may revise these decisions in a future avoided cost docket. Until that time, MPC's default avoided costs will be based on a combination of policies established in Order Nos. 5091c, 5360d and 5360e as clarified above.

CONCLUSIONS OF LAW

1. The Montana Power Company is a public utility within the meaning of Montana law, Sections 69-3-101 and 69-3-601(3), MCA.

2. The Commission properly exercises jurisdiction over the rates, terms, and conditions for the purchase of electricity by public utilities from qualified cogenerators and small power

producers. Section 69-3-102, 69-3-103 and 69-3-104, MCA.
Section 210, Pub. L. 97-617, 92 Stat. 3119 (1978) .

3. The rates determined according to this Order are just and reasonable in that they were calculated consistent with Commission-approved methodology and reflect MPC's avoided costs.

4. The Commission properly exercises jurisdiction over certain complaints against public utilities pursuant to 69-3-321, MCA.

ORDER

1. Order Nos. 5506a and 5506b are modified as described above.

2. Montana Power Company is directed to calculate Energy Option B avoided cost rates for the 1989/1990 contract year as described above.

3. This Order disposes of all issues in Docket No. 90.8.51 and Docket No. 90.8.51 is hereby closed.

4. Montana Powder Company is directed to comply with findings in this Order.

DONE AND DATED in open session at Helena, Montana, this 6th day of December, 1991, by a 5 - 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

HOWARD L. ELLIS, Chairman

DANNY OBERG, Vice Chairman

BOB ANDERSON, Commissioner

JOHN DRISCOLL, Commissioner

WALLACE W. "WALLY" MERCER, Commissioner

ATTEST:

Ann Peck
Commission Secretary

(SEAL)

NOTE: You may be entitled to judicial review in this matter.
 Judicial review may be obtained by filing a petition
 for review within thirty (30) days of the service of
 this order. Section 2-4-702, MCA.